

City of Detroit

CITY COUNCIL

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TO: Ron Lockett, Executive Director
Northwest Activities Center

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 23, 2009

RE: 2009-2010 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Friday, April 24, 2009 at 1:30 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pam Scales, Budget Department Director
Joe Harris, Chief Financial Officer
Donna McAlister, Budget Department
Arese Robinson, Mayor's Office

Northwest Activities Center

FY 2009-10 Budget Analysis by the Fiscal Analysis Division

Summary

Northwest Community Programs, Inc, operates the Northwest Activities Center a non-profit corporation. The building is owned by the City of Detroit and is leased to the non-profit corporation for \$1 per year.

The Northwest Activities Center has facilities for recreational, cultural and educational activities. The recreational facilities include a swimming pool, gymnasium, outdoor tennis courts, athletic field, and indoor racquetball and squash courts. Recreational classes such as swimming, aerobics and dance are offered.

The Northwest Community Programs, Inc., has for many years been given a grant by the United Way Foundation for handling three special at risk programs:

- Children and Youth Crisis Program
- Teen Parenting Program
- Problems of the Elderly Program

The complex also has sufficient space in which to lease space to the Police Athletic League (PAL), the Police Department's Western Operations' Administration, Wayne State University's College of Lifelong Learning, various community theatre groups and four retail stores.

The non-profit organization has a 13-member board of directors of which 12 are currently filled. The board appoints the Executive Director of the Northwest Community, Inc. Seven positions are mayoral appointees: of which, shall be employed by the City of Detroit and have expertise in at least one of the following areas, (1) Accounting, (2) Engineering, (3) Human/Social Services, (4) Law, (5) Public Administration and (6) Recreation/Cultural. Six board positions are community persons recommended by the organization's Executive Director, but appointed by the Mayor. One position is currently vacant.

The Administration has historically budgeted a General Fund subsidy for the Center's operating budget as a "contribution or transfer" in the Recreation Department's budget. The current year's budget had a contribution of \$220,000 to the recreation center. The Administration in the 2009-10 Executive Budget has recommended a General Fund subsidy of \$165,000 to the Northwest Activities Center for the operating costs at the Northwest Activities Center, a \$55,000 (25%) reduction. This contribution is located in Recreation's budget in Appropriation 11657 Business Operations & Support Services.

Recreation Department General Fund Contribution to the Northwest Activities Center

FY	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010
Funding	\$800,000	\$540,000	\$220,000	\$220,000	\$220,000	\$165,000
% Change		-32.5%	-59.3%	0%	0%	-25%

The Northwest Activities Center's projected annual revenue is \$2.3 million, which includes the City's direct contribution of \$165,000 (from Recreation) is 7.1% of the total. The remaining \$2.14 million in budgeted revenues are generated from grants, room rentals, membership dues, class registration fees and in-kind contributions. The Northwest Activities Center's projected expenses in its operating budget are approximately \$2.3 million, for a slight \$80 budgeted surplus (Preliminary budget attached).

The Northwest Community Programs' comments on its budget are as follows:

Revenue

Health Club:

The Agency expects increased revenue from memberships during FY 09-10. The FY 08-09 revenue was based on fees being paid over 2 months. Projected revenue is lower due to the change in payment structure. Membership revenue is based on a total of 833 memberships.

- 574 senior memberships @ \$100 (\$57,400). 171 Single memberships @ \$475 (\$81,225), 88 Family memberships @ \$600 (\$52,800) totaling \$134,025.
- Overall membership increased from 800 to 833, the individual membership fee was increased 82%, 90% and 665 respectively.
- The membership fee payment period was extended from 2 months to 12 months.
- Increases in class and guest fees assuming no shut downs this fiscal year.
- The agency has set a goal of increasing memberships:
 - Minimum 25 new single
 - Minimum 25 new family

Booking:

NWCP anticipates the revenues from the Sales & Events Office, which are projected fiscal 08-09 revenues, to increase slightly due to the following factors:

- Due to the economic climate of the city of Detroit and the region, less corporate events and meetings are being held off site.
- WCCC has built a state-of-the-art conference center on the former site of Mercy College. The International Association of Conference Centers will accredit the new conference center. WCCC is collaborating with the Ritz Carlton organization on employee recruitment and training.
- NWCP inability to receive a liquor license due to the fact that our location is within 500 feet of a church.
- Five caterers will assist in promoting and referring events to NWAC.
- NWAC has developed and continues to develop relationships with entertainment promoters and urban theater companies in order to book first class, family oriented entertainment in the Paul Robeson Theatre.
- NWAC will hopefully reduce the number of spaces provided on a complimentary basis to governmental entities.
- NWCP is developed a web site and marketing materials.
- NWCP is formulating strategic partnerships with area businesses such as Sinai-Grace Hospital, American Diabetes Association, and Quality Home Health Care

to develop and execute programs to serve the community and generate facility rental revenue.

Business Office:

- The Agency expects revenue from vending to increase slightly due to increased foot traffic, vending location in the building and NWAC's location in the neighborhood.
- The Agency expects a slight increase in other revenue from fee income. (i.e. application fees, membership card fees, etc.)

C of D Allocation:

The Agency expects a decrease in the allocation of \$55,000.

Donations/Grants:

- The agency continues to pursue additional public and private funding.

United Way Allocation:

No change

Expenses

Salary and Fringe Benefits:

Budgeted payroll expenses were increased for fiscal year 2009-2010 due to the need to hire additional employees. The Agency anticipates the Recreation Department will (implement) budget cuts in the in kind staffing as a cost cutting measure. The Agency has developed a contingency plan and budget the potential cuts in Recreation staffing.

Operating Expenses:

- Operating expenses show a slight increase for FY 2009-10.
- Budget amounts are based on an extrapolation of YTD amounts plus a ten percent (10%) increase.

Interest and Loan Payments:

- All Comerica Bank loans have been paid off, final payment April 2009.
- Chase Loan with a balance of \$41,000 will be paid down by approximately \$13,000 for the fiscal year 08-09, leaving a balance of \$28,000. Original loan balance \$135,000.

Debt Repayment

- Accrued union contract liability for retroactive pay raises prior to fiscal year 2004-2005 and 2005-2006. (\$7,583)
- One-time charges for renovation related expenses on the elevator and additional electrical work not covered by the City of Detroit (\$11,000) will be paid off during fiscal year 09-10.
- Monahan loan will be paid off during the 09-10 fiscal year, balance \$5,400, original balance \$80,000.
- Repaying the City of Detroit for the purchase of health club equipment, original balance \$138,000, balance a/o 4/09 \$108,000.

Major Debt Paid Off During the 08-09 Fiscal Year

- **Comerica Loan #2, original loan amount \$65,000**

In-Kind

- Utilities are based on fiscal 2008-2009 actual totals
- The agency expects significant reduction in staff due to City of Detroit budget reductions.

Recent Renovations to the Northwest Activities Center

Due to the fact that the Recreation Department moved its Administrative Offices to the Northwest Activities Center, work was done to renovate the facility and to retrofit office space for Recreation. According to RAD's Contracts and Purchase Order report of October 30, 2007, on June 9, 2006, Council initially approved a contract for the renovation of the Northwest Activities Center in the amount of \$3,600,000. Subsequently, there were three change orders for this contract.

With the first change order, RAD reported the following in its Contracts and Purchase Order report of September 13, 2006: "The total estimated cost for the completion of the renovation at the Northwest Activities Center is indicated by the Department (Recreation) to be slightly less than \$15,000,000. There will be a future amendment to provide the additional funding. This cost for the renovation is from General Obligation Bonds."

The first change order of \$2,500,000 was approved by Council September 2006 and increased the costs to \$6,100,000. Council approved the second change order for \$8,800,000 October 2006, increasing the authorized costs to \$14,900,000. The Council approved the third and final change order for \$600,000 on November 2, 2007. Thereby bringing the cost for the complete renovation of the Northwest Activities Center to \$15,000,000.

According to an official statement from the Recreation Department, after the renovation work was completed, which included the instillation of air-conditioning units on the roof and several roof repairs, it was later determined that the Northwest Activities Center was in need of a complete roof replacement. The Recreation Department subsequently submitted a contract for \$2.5 million for the replacement of the roof.

Chronology of Northwest Activities Center improvements and programs

In December 2000, the Northwest Activities Center completed its building improvements in the north wing, by completing its renovations of their third floor office space and by creating barrier free access to the building to comply with ADA standards. This was funded through the City of Detroit Recapitalization Project for Capital Improvements. Also completed in the 2000-01 fiscal year, were the projects to retile both the men's and women's steam rooms, repainting the gymnasium, updating the weight room by rubberizing the floor and enhancements to the endurance room. The renovations to its theatre, ballroom kitchen and lobby were completed in July 2001.

In 2003, the Northwest Activities Center accomplished its capital repair goals of retooling the athletic wing Northwest Activities Center. The work included, repainting

the athletic wing, combining the endurance/cardio room with the free weight area, repairing the showers in the men's and women's locker rooms, and reconnecting the gas lines in order to provide members with clean fresh towels. The improvements were completed October 1, 2003. In 2004, the Northwest Activities Center launched a major membership drive to increase revenue. Included in the drive was an offer of discounted memberships of 20% to City of Detroit employees and their families. The rationale for the major membership drive is that the improvements now allow the Northwest Activities Center to compete with other comparable facilities in the city.

The membership drive was also extended to former members, in order to generate additional revenue on an annual basis by increasing the number of paid memberships.

One of the Northwest Activities Center's past accomplishments involved the Mayor's Time children's program, the Northwest Activities Center, through an in-kind contribution from the Intel Corporation, implemented the Intel Computer Clubhouse Program. The Intel program, for 10-18 year-olds cognitive skills development, includes 18 computer stations and a state-of-the-art sound studio.

Issues and Questions

In the 2007-08 fiscal year the Recreation Department relocated its administrative offices from the Cadillac Tower to the Northwest Activities Center and revitalized the operations of the Northwest Activities Center.

- How has the move impacted the daily operations of the Northwest Activities Center?
- What impact did the renovations of the Northwest Activities Center have on revenues?
- Also, above and beyond the \$55,000 reduction from Recreation's contribution to the Northwest Activities Center, Northwest Community Programs has indicated that it anticipates the City will make significant reductions in its "in kind" contributions stating, "The agency expects significant reduction in staff due to City of Detroit budget reductions". Has the Recreation Department indicated it will make these significant reductions? If so, how will the staff of the Northwest Activities Center be impacted?
- Currently, does the Northwest Activities Center have adequate staff to maintain its operations at an optimum level?
- In 2004, the Northwest Activities Center launched a major membership drive to increase revenue. Included in the drive was an attempt to attract City of Detroit employees to join. Has the Northwest Activities Center approached the Administration in order to secure the City's assistance to market another campaign to City employees?

Attachment: Northwest Activities Center Preliminary 2009-10 Budget

IC:DH

2009-2010 Budget Draft
Northwest Community Programs, Inc.

Fiscal Period July 1 2009 - June 30, 2010

	2009-2010 Budgeted Revenue	2008-2009 Budgeted Revenue	2008-2009 Projected Revenue
REVENUE			
Health Club			
Memberships Single/Family	134,025	157,000	62,000
Seniors	57,400	35,000	27,800
Guest	15,000	30,000	16,500
Classes	20,000	20,000	15,700
Seasonal/Easter Camps	37,125	27,225	33,000
TOTAL HEALTH CLUB	263,550	269,225	155,000
Booking			
Catering	20,000	30,000	17,500
Room/Equipment Rental	155,000	150,000	144,171
Long Term Lease	310,000	295,000	300,000
TOTAL BOOKING	485,000	475,000	461,671
Business Office			
Vending	27,000	20,000	27,000
Other (e.g. faxing and copies, interest, Forfeiture, etc.)	11,000	6,500	12,000
TOTAL BUSINESS	38,000	26,500	39,000
C of D Allocation	165,000	220,000	192,500
Donations/Grants	500	500	5,142
United Way	75,000	79,000	75,000
Utilities-In-Kind	211,716	253,000	211,716
Staff-In-Kind	1,073,000	1,073,000	1,188,158
TOTAL REVENUE	2,311,766	2,396,225	2,328,187

	2009-2010	2008-2009	2008-2009
	Budgeted Expenses	Budgeted Expenses	Projected Expenses
EXPENSES			
Salary, Taxes & Fringe Benefits			
ACCOUNTING/BUSINESS OPERATIONS			
Chief Financial Officer -			
Part Time Acct/Bus. Office Supvr. -			
Part Time Office Clerk 1- (Vacant)			
Part Time Office Clerk 1- (Vacant)			
Part Time Office Clerk 1- (Vacant)	-	-	
	108,500	116,000	102,000
TOTAL ACCOUNTING	108,500	116,000	102,000
BOILER OPERATORS			
Part Time Boiler Operator 1 -			
Part Time Boiler Operator 2 -			
Part Time Boiler Operator 3 -			
Part Time Boiler Operator 4 -			
	56,100	56,100	55,400
TOTAL OPERATORS	56,100	56,100	55,400
BOOKING & RENTALS			
Part Time Events Directors -			
Part Time Events Coordinator -			
Part Time Events Assistance 1 - (Vacant)			
	47,000	60,000	56,500
TOTAL BOOKING	47,000	60,000	56,500
EXECUTIVE			
Full Time Executive Assistance -			
Part Time Director of Community Outreach -			
	72,000	74,000	75,000
TOTAL EXECUTIVE	72,000	74,000	75,000
HEALTH CLUB			
Full Time Health Club Coordinator-			
15 Part Time General Workers			
@ 20 hours/week @ \$10/hr			
4 Part Time Life Guards			
@ 20 hours/week @ \$10/hr			
Part Time General Worker 5			
Part Time Instructor/General Worker			
Part Time Aerobic Instructors (7)			

	292,300	199,660	160,750
TOTAL HEALTH CLUB	292,300	199,660	160,750
HUMAN RESOURCES			
Part Time Director -	-	20,000	8,000
MAINTENANCE			
Full Time Building Superintendent -			
Part Time Maintenance Worker 1 -			
Part Time Maintenance Worker 2 -			
Part Time Maintenance Worker 3 -	97,700	97,700	97,500
TOTAL MAINTENANCE	97,700	97,700	97,500
PROGRAMS			
Full Time Program Director -			
Part Time Program Assistance -			
Part Time Program Coordinator -			
Part Time Program Instructor 1 - (Vacant)			
Part Time Program Instructor 2 -			
Part Time Program Instructor 3 -	52,500	58,000	54,000
TOTAL PROGRAMS	52,500	58,000	54,000
INTEL			
Part Time Program Director -	20,000	20,000	21,300
SEASONAL/EASTER CAMPS			
Full-Time sdc DIRECTOR -	-	-	
Full-Time Asst Director -	-	-	
Instructors	2,200	480	1,400
Part Time Counselors	6,120	6,120	4,320
TOTAL SEASONAL CAMP	8,320	6,600	5,720
PAYROLL EXPENSES	754,420	708,060	636,170
OPERATING EXPENSES			
Operating Services (e.g. pest, elevator,copy machine payroll, mailing machine, bank fees, camp, etc.)	33,000	43,000	42,500
Operating Supplies (e.g. office, cleaning, vending pool, postage, light bulbs, camp, etc.)	26,000	30,000	25,500
Seasonal Day Camp Expenses	11,000	16,728	11,128
Advertising Expenses	-	1,200	1,436
Professional Services (e.g. auditing, attorneys, Kitchen cleaning, equipment repair, etc.)	15,000	15,000	13,080

Fees & Permits Expenses	3,850	3,850	3,700
Interest and Loan Payment	18,500	23,000	27,500
Facility Equipment	5,000	20,000	5,500
Administrative Equipment	2,500	5,000	-
Marketing	15,000	15,000	-
Vending	15,000	15,000	12,600
Building Maintenance	5,000	25,000	2,500
Health Club Equipment			
Cardio	24,500	24,500	16,200
Strength	13,200	13,200	8,200
Debt Repayment	13,000	17,500	8,500
TOTAL OPERATING EXP	200,550	267,978	178,344
Liability Insurance	72,000	80,000	71,000
Utilities-In-Kind	211,716	253,000	211,716
Staff-In-Kind	1,073,000	1,073,000	1,188,158
TOTAL EXPENSES	2,311,686	2,382,038	2,285,388
TOTAL SURPLUS/(DEFICIT)	80	14,187	42,799